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APPLE'S SHOW; AT&T 's details RCR Wireless News June 18, 2007

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BYLINE: KELLY HILL

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AT&T Mobility says more than a million customers have signed up for information regarding the much-hyped **iPhone**, and Apple Inc.'s Steve Jobs has said that he expects the device to sell around 10 million units in 2008.

An April survey by M:Metrics found that an estimated 19 million U.S. mobile-phone users considered themselves strongly interested in buying an **iPhone**, despite the hefty \$500 or \$600 price tag and the fact that most of them (67%) would have to switch carriers due to AT&T Mobility's exclusive rights to sell the phone in the U.S. for the first five years.

"That kind of latent demand is something I don't think we've ever seen before," said Mark Donovan, senior VP and senior analyst at M:Metrics.

But if the carrier does manage to add so many customers quickly, it could face significant challenges in handling the onslaught of new activations, new customers crowding its stores, and customer service inquiries related to the **iPhone**.

Both AT&T Mobility and Apple have kept mum on most details about the device and service as well as their preparations for the initial feeding frenzy and the longer-term handling of high demand. Analysts compared the introduction of the **iPhone** to the launch of highly anticipated video gaming systems such as Sony Corp.'s Playstation3 and the Nintendo **Wii**.

Sustaining sales

Donovan, noting that the launch will take place on a Friday, described the launch as "very much like you'd launch a movie. After a big opening weekend, the question is always, can that be maintained? That's going to be a function of what the consumer-generated buzz on the **iPhone** becomes, not what the advertising and marketing machine is putting out, which is what we're getting now."

AT&T Mobility spokesman John Kampfe declined to discuss the carrier's preparations and

plans for dealing with the potential blitz of customers, but did say that the **iPhone** will be available in all of AT&T Mobility's company-owned retail stores, but not through resellers. The phone will be available online immediately through Apple's Web site as well as through Apple's retail stores, with availability from AT&T Mobility's Web site expected to follow within a short period of time.

Synchronoss Technologies, which counts among its customers various cable companies, ILECs and VoIP providers, will provide the platform for service activations, but not much more is known. As far as service plans, Glen Lurie, AT&T president of national distribution for wireless, told the Seattle Post-Intelligencer that **iPhone** customers would be "asked to have an unlimited package"-although whether that meant an unlimited data plan, voice package or both (and whether it would be a requirement), was unclear.

Donovan said that a broad swathe of users were considering an **iPhone** purchase: both data-savvy smartphone users and those with less experience in advanced wireless services. He noted that more than 12% of people in the survey who had a strong interest in the **iPhone** already paid more than \$100 per month for their wireless service.

"People who are saying they want to buy an **iPhone** are very much tuned in to paying a lot of money for both the phone bill and the phone," Donovan said. "These are very high-value customers."

Customer service concerns

The companies have offered no details on how customer service calls will be handled, but that is likely to be AT&T Mobility's biggest challenge, said Roger Entner, senior VP of the communications sector at IAG Research.

"You really hope that this device is very intuitive to use. If not, they're going to drown in customer service calls, because typically the more complex the device, the more difficult to support," Entner added.

Apple prides itself on the usability of its products, but the massive amount of interest in the **iPhone** could also mean that plenty of neophyte smartphone users might need some hand-holding. Entner also said that AT&T Mobility might simply end up fielding calls sparked not by actual problems, but by customer expectations for the device-on network speed, battery life or other aspects-that may or may not be met.

Entner described the expectations for the **iPhone** being of "mythical proportions. It's like a superhero from Marvel Comics that also cures cancer and brings world peace just by using it. ... Potentially, if they're not careful with managing expectations, they have the problem of pulling a "Sopranos"-very secretive, very high expectations and a lot of people were let down by the ending."

Several industry observers concluded that even heavy data use by the **iPhone** population is unlikely to impact AT&T Mobility's wireless network, given the carrier's network capacity and the fact that the device is not 3G-capable. Current Analysis analyst Weston Henderek said if network impacts were to be seen, they likely would be short-lived.

As for broader consequences for AT&T Mobility, Henderek questioned how much control the carrier will have over these (presumably profitable) customers, considering the power which Apple has already exerted so far: the carrier is not mentioned in **iPhone** commercials and most promotions, users must sign up for an iTunes account in order to activate the service and Apple's Web site gets a sales jump on AT&T Mobility's.


"It seems like [AT&T Mobility] has sold its soul to Apple," Henderek said. "In their

grasping to be the first and have an exclusive with the iPhone, did they release their customers and just become a dumb pipe for this thing?" If so, he said, it could end up being a potential negative for the company if its own brand and customer access are pushed aside in favor of Apple's.

"The hype is great, but it seems to be an Apple show," Henderek said.

GRAPHIC: Art Credit: THROUGH THE LOOKING GLASS: The iPhone unveiled at Macworld
Art Credit: Mark Richards/ZUMA Press

LOAD-DATE: June 21, 2007

Source: News & Business > Combined Sources > Mega News, All (English, Full Text) 

Terms: "iphone" and "wii" and "hype" (Edit Search | Suggest Terms for My Search)

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Unprecedented Pre-Launch Buzz Sets High Expectations for iPhone Sales and Customers, Nielsen BuzzMetrics Reports

Nielsen BuzzMetrics Webinar to Probe Key CGM Metrics Leading to Launch

NEW YORK, June 25, 2007 – Thanks in part to unprecedented pre-launch blog buzz, anticipation is soaring for Apple's iPhone as the June 29 launch nears. Apple CEO Steve Jobs' January 2007 announcement of the new handheld media device – which combines functionality from the iPod, mobile telephony and the Internet via touch screen – resulted in buzz levels higher than any other product announcement this year.

According to Nielsen BuzzMetrics, the global measurement standard in consumer-generated media, the buzz around the forthcoming iPhone was 33% higher the week ending June 23, 2007 versus the average of the prior four weeks.

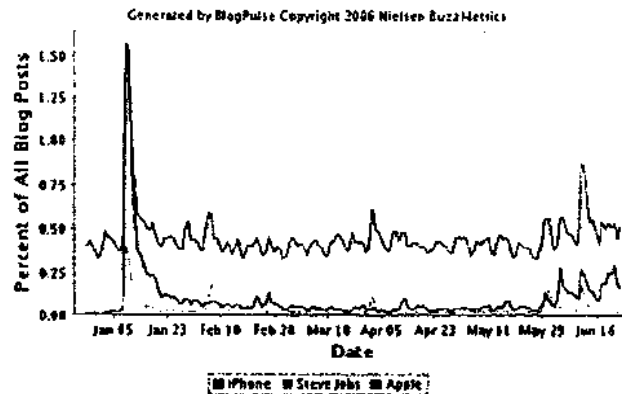
"Apple's iPhone is riding an unprecedented wave of pre-launch conversation and expectations are mounting," said John Latona, Vice President of Client Services, Consumer Technology, at Nielsen BuzzMetrics. "Starting next week, the nature of the conversation will shift to very explicit and descriptive commentary about actual experiences with the product, and this will have a huge impact on ongoing trial, advocacy and sales."

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What's behind iPhone buzz?

- Top appeal drivers include anticipated features, especially visual voicemail and the inclusion of a music library
- Negative issues raised in conversation include high price point, lack of keyboard, and concerns over AT&T's coverage
- Expectations are extremely high and reflect huge levels of confidence in Apple brand; consumers believe the iPhone will have a successful launch
- Several conversations related to the iPhone take place on Gizmodo, The Unofficial Apple Weblog (TUAW) and Engadget

iPhone Web Traffic

Traffic to the official corporate site, apple.com, spiked following the iPhone announcement. According to Nielsen//NetRatings, the iPhone section of the site had 1.79+ million unique visitors in January 2007 and the keyword "iPhone" was searched 870,000 times. Consumers continued to visit the site during February and March frequently, with more than 980,000 unique visitors per month, with a slight decline during April (almost 637,000 unique visitors). Web traffic to the site increased again during May with more than 701,000 unique visitors a month prior to release.

iPhone Webcast

Join industry experts Pete Blackshaw, CMO and John Latona, VP and Consumer Technology practice lead, of Nielsen BuzzMetrics for a thought-provoking Webcast to dissect the buzz on this year's most anticipated consumer electronics product. The Webcast takes place live on June 28, from 12:30-1:30 pm EDT. Sign-up now at <http://nielsenbuzzmetrics.com/webinars>

iPhone Syndicated Product Offering

Nielsen BuzzMetrics is monitoring consumer sentiment around the iPhone launch and will report the findings via a special syndicated report. For information on how to purchase this study, please contact Jay Rampuria at jay.rampuria@buzzmetrics.com or 619.944.3603.

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About Nielsen BuzzMetrics

The Nielsen BuzzMetrics service, marketed by BuzzMetrics, Inc., is the global standard in measuring consumer-generated media and word of mouth. Nielsen BuzzMetrics helps more than 100 leading global companies strategically leverage the buzz surrounding them—clients like Canon, Comcast, General Motors, HBO, Kraft, Microsoft, Nokia, P&G, Target and Toyota, as well as 15 of the top 15 pharmaceutical concerns. Partners include the world's largest marketing-services firms, and innovative new-marketing agencies. The company has also collaborated with distinguished research organizations such as the Pew Internet and American Life Project. BuzzMetrics, Inc. is an affiliate of VNU, owner of such renowned research names as ACNielsen and Nielsen Media Research. For more information, visit www.nielsenbuzzmetrics.com.

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Bloggers dialed in to new iPhone

Staggered announcements help drive traffic to Apple's site

By Alex Woodson

June 30, 2007

NEW YORK -- Apple was the recipient of an "unprecedented wave" of online hype leading up to Friday's launch of its iPhone, according to a new research report from Nielsen BuzzMetrics.

The number of blog posts or "buzz" surrounding the iPhone, first announced Jan. 9 by Apple Inc. CEO Steve Jobs, has been higher than conversations about Super Bowl commercials, "The Sopranos" finale on HBO and other tech announcements about Microsoft's Zune and Vista and Nintendo's Wii.

The chatter has led to a 14% increase in links to Apple's Web site in mid-June compared with January, and AT&T -- the only cell phone carrier to offer plans with the iPhone -- also has seen a 25% increase in links in that period, according to BuzzMetrics.

Traffic to Apple's Web site also has seen a spike with more than 1.8 million visitors logging on to the iPhone page in January, according to Nielsen//NetRatings. Nearly 1 million visitors were on the iPhone page in February and March, dipping to 637,000 visitors in April and back up to more than 700,000 in May in anticipation of the phone's June release.

A big reason for this, according John Latona, vp client services and consumer technology at BuzzMetrics, is Apple's approach in staggering the announcements about different features on the phone and making their Web site user-friendly to the online community craving iPhone updates.

He found one blogger who likened Apple's strategy to "a striptease" and ended his post writing, "I want one, I want one, I want one."



"Apple has done an amazing job building that hype," said Latona, who added that the official iPhone page is the most-linked site within the iPhone discussions. "Blogs are really playing a dominant role in shaping those reactions."

Latona, speaking at a presentation about the study, called tech-minded blog Engadget "the nexus of the buzz in the online space."

Through June 15, the site averaged 1,129 inbound links per week about the iPhone and 4,841 per month.

Gizmodo and the Unofficial Apple Weblog also were popular sites for iPhone conversations.

Wikipedia also was a huge beneficiary of the hype because users are able to constantly update the site. Latona and MuzzMetrics chief marketing officer Pete Blackshaw said that after different iPhone announcements were made, the information would sometimes be up on Wikipedia within the hour.

"It's like a vacuum cleaner that sucks up all the relevant information," Blackshaw said. "And they provide really good links. It's a big reason why Wikipedia has become so trusted."

Not all of the buzz was positive, though. Twenty-one% of online conversations about the iPhone from January-June 15 were negative and reflected concerns about the lack of a keyboard, pricing, battery life and AT&T being the only carrier for the phone.

The majority of buzz, however, was neutral or mixed, meaning Apple and the bloggers can still sway the minds of consumers. "There's a lot of work here to be done," Blackshaw said.

Blackshaw also noted that leading up to Friday's bow, many bloggers were writing about lining up at the store.

"People are talking about bringing their sleeping bag to the Apple Store," Blackshaw said. "That clearly suggests they're going to buy, not wait for a parade."

Similar to the reaction when Nintendo's Wii was released late last year, Blackshaw expects the online conversation about iPhone to continue for long after the product launch and to add to consumers' attitudes toward the gadget.

Nielsen BuzzMetrics and Nielsen//NetRatings are owned by the Nielsen Co., parent company of The Hollywood Reporter.

M:Metrics Press Release

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FOR IMMEDIATE RELEASE

M:Metrics: High Awareness, Strong Demand for iPhone Among British and American Mobile Phone Users Measurement firm finds that 56 percent of Britons and 64 percent of Americans are aware of the iPhone

SEATTLE and LONDON—June 15, 2007— M:Metrics, the mobile market authority, today released its findings from its April Benchmark Survey surrounding consumer awareness and intention to purchase an iPhone. The measurement firm found that 56 percent of British and 64 percent of American mobile phone users were aware of the iPhone. In the U.S., where the device will launch first, 14 percent of those who had heard about the iPhone reported they would be highly interested in buying one.

"This data confirms that the iPhone has sparked the imaginations of consumers and is not merely a topic of conversation among insiders and technology enthusiasts," observed Mark Donovan, senior vice president and senior analyst, M:Metrics. "19 million Americans reported strong interest in purchasing an iPhone – an impressive figure, when you consider that the installed base of most high-end devices rarely approaches one million and respondents were informed of the price point as well as of the AT&T exclusive."

While AT&T has a five-year exclusive on the device in the United States, 67 percent of those who were most inclined to purchase an iPhone are subscribers on other carrier networks. "This is an early indication that AT&T's strategy to use the device to lure customers from competitors could pay off," commented Donovan.

Among the UK subscribers who were aware of the iPhone, 30 percent, or seven million, reported strong interest in buying one, even though a launch date in Europe has yet to be announced.

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"We expected that mobile users in the UK would be more inclined to buy an expensive device, since smartphones are twice as popular in the UK as in the US. These figures are very impressive, although respondents in the UK were not presented with a launch price or any restriction of mobile phone carrier as in the U.S." said Paul Goode, vice president and senior analyst, from M:Metrics London office. "It's also interesting to note that in both geographies, 64 percent of those with a strong interest in buying an iPhone already own an MP3 player, compared to a market average of 30 percent for other music phones owners, so it will be interesting to see at what rate consumers replace their digital music player with an iPhone."

United Kingdom: Intent to Buy iPhone	Subscribers	Percent of Aware	Percent of Total Subscribers
Low Interest (1-4 on 10 point scale)	12,444,115	50%	28%
Neutral Interest (5-6 on 10 point scale)	5,529,019	22%	12%
Strong Interest (7-10 on 10 point scale)	6,960,113	28%	16%

Source: M:Metrics. Survey of UK mobile subscribers for April 2007. n=5,293 mobile subscribers.

United States: Intent to Buy iPhone	Subscribers	Percent of Aware	Percent of Total Subscribers
Low Interest (1-4 on 10 point scale)	97,252,651	74%	47%
Neutral Interest (5-6 on 10 point scale)	15,780,356	12%	8%
Strong Interest (7-10 on 10 point scale)	19,038,656	14%	9%

Source: M:Metrics. Survey of US mobile subscribers for April 2007. n=11,060 U.S. mobile subscribers.

"While other devices—some of them already on the market—have features equal or better than the iPhone, such as 3G, superior cameras, and the like, the iPhone has been the first mobile device to create widespread consumer excitement around a mobile phone," commented Donovan. "This has the potential to increase consumer demand for more expensive, full-featured phones across the board as OEMs and other operators respond to AT&T/Apple's marketing juggernaut."

M:Metrics applies trusted media measurement methodologies to assess the audience for mobile content and applications. As the world's most authoritative mobile market measurement firm, M:Metrics delivers the most accurate mobile market metrics through the world's largest monthly survey of mobile subscribers as well as automated data collection methodologies. Below are the findings of its April Benchmark Survey.

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France Mobile Subscriber Monthly Consumption of Content and Applications
M:Metrics Benchmark Survey: April 2007

Activity	Subscribers (1000s)	Percentage	Percentage Change
Sent Text Message	31,755	71.4%	-1.3%
Used Photo Messaging	9,321	20.9%	-1.0%
Browsed News and Information	3,465	7.8%	3.6%
Used Personal E-Mail	2,674	6.0%	-3.3%
Purchased Ringtone	2,189	4.9%	-5.8%
Used Mobile Instant Messenger	1,345	3.0%	-5.5%
Used Work E-Mail	1,055	2.4%	-5.5%
Purchased Wallpaper or Screensaver	802	1.8%	-12.6%
Downloaded Mobile Game	556	1.2%	-11.8%

Source: M:Metrics, Inc., Copyright © 2006. Survey of French mobile subscribers. Data based on three-month moving average for period ending 30 April, 2007, n= 12,874

Germany Mobile Subscriber Monthly Consumption of Content and Applications
M:Metrics Benchmark Survey: April 2007

Activity	Subscribers (1000s)	Percentage	Percentage Change
Sent Text Message	36,859	80.1%	-0.6%
Used Photo Messaging	9,324	20.3%	1.6%
Used Personal E-Mail	2,538	5.5%	-0.7%
Purchased Ringtone	2,099	4.6%	-3.5%
Browsed News and Information	1,636	3.6%	6.9%
Used Mobile Instant Messenger	1,377	3.0%	3.8%
Used Work E-Mail	1,303	2.8%	1.9%
Downloaded Mobile Game	1,143	2.5%	-6.9%
Purchased Wallpaper or Screensaver	887	1.9%	-1.7%

Source: M:Metrics, Inc., Copyright © 2006. Survey of German mobile subscribers. Data based on three-month moving average for period ending 30 April, 2007, n= 15,810

Italy Mobile Subscriber Monthly Consumption of Content and Applications

M:Metrics Benchmark Survey: April 2007

Activity	Subscribers (1000s)	Percentage	Percentage Change
Sent Text Message	36,727	83.5%	1.1%
Used Photo Messaging	12,851	29.2%	-0.8%
Used Personal E-Mail	3,602	8.2%	1.5%
Used Mobile Instant Messenger	2,408	5.5%	2.0%
Browsed News and Information	2,359	5.4%	-3.3%
Purchased Ringtone	2,192	5.0%	8.4%
Used Work E-Mail	2,076	4.7%	2.8%
Downloaded Mobile Game	1,429	3.2%	-0.8%
Purchased Wallpaper or Screensaver	1,196	2.7%	4.5%

Source: M:Metrics, Inc., Copyright © 2006. Survey of Italian mobile subscribers. Data based on three-month moving average for period ending 30 April 2007, n= 13,297

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Spain Mobile Subscriber Monthly Consumption of Content and Applications
M:Metrics Benchmark Survey: April 2007

Activity	Subscribers (1000s)	Percentage	Percentage Change
Sent Text Message	26,583	83.1%	-0.3%
Used Photo Messaging	9,705	30.3%	5.3%
Used Personal E-Mail	2,669	8.3%	2.6%
Used Mobile Instant Messenger	2,021	6.3%	-5.7%
Purchased Ringtone	1,992	6.2%	-4.3%
Used Work E-Mail	1,764	5.5%	4.3%
Browsed News and Information	1,761	5.5%	-1.6%
Downloaded Mobile Game	1,529	4.8%	-5.9%
Purchased Wallpaper or Screensaver	752	2.3%	-6.7%

Source: M:Metrics, Inc., Copyright © 2006. Survey of Spanish mobile subscribers. Data based on three-month moving average for period ending 30 April, 2007, n= 13,458

UK Mobile Subscriber Monthly Consumption of Content and Applications
M:Metrics Benchmark Survey: April 2007

Activity	Subscribers (1000s)	Percentage	Percentage Change
Sent Text Message	38,314	86.1%	0.3%
Used Photo Messaging	12,839	28.9%	-1.4%
Browsed News and Information	5,884	13.2%	-0.8%
Used Personal E-Mail	3,140	7.1%	-2.3%
Used Mobile Instant Messenger	2,029	4.6%	3.5%
Downloaded Mobile Game	2,025	4.6%	-7.0%
Purchased Ringtone	1,771	4.0%	-9.2%
Used Work E-Mail	1,564	3.5%	0.9%
Purchased Wallpaper or Screensaver	793	1.8%	-5.5%

Source: M:Metrics, Inc., Copyright © 2006. Survey of U.K. mobile subscribers. Data based on three-month moving average for period ending 30 April, 2007, n= 15,636

U.S. Mobile Subscriber Monthly Consumption of Content and Applications
M:Metrics Benchmark Survey: April 2007

Activity	Subscribers (1000s)	Percentage	Percentage Change
Sent Text Message	83,030	40.1%	1.2%
Used Photo Messaging	33,766	16.3%	6.6%
Browsed News and Information	20,019	9.7%	0.3%
Purchased Ringtone	19,184	9.3%	-0.7%
Used Personal E-Mail	17,793	8.6%	4.9%
Used Mobile Instant Messenger	13,907	6.7%	1.4%
Used Work E-Mail	10,445	5.0%	6.2%
Downloaded Mobile Game	6,788	3.3%	2.9%
Purchased Wallpaper or Screensaver	6,567	3.2%	0.3%

Source: M:Metrics, Inc., Copyright © 2006. Survey of U.S. mobile subscribers. Data based on three-month moving average for period ending 30 April, 2007, n= 33,810

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About M:Metrics

M:Metrics is the mobile market measurement authority. As the only research firm to measure the audience for mobile media, M:Metrics provides the most accurate metrics on actual mobile content consumption by applying trusted media measurement methodologies to the mobile market. M:Metrics' monthly syndicated data service gives clients the critical insights and intelligence required to inform smart business strategies and the competitive benchmarks needed to evaluate the performance of competitors and partners. M:Metrics is a private, venture-funded corporation headquartered in Seattle, with offices in San Francisco and London.

About M:Metrics Data

Based on continually refreshed samples of nationally representative mobile phone consumers, M:Metrics reports summarise market size, device reach, and key demographic and mobile phone usage characteristics.

The data presented here is drawn from an extensive survey questionnaire that collects specific device model and carrier subscription information from each month's sample of mobile phone subscribers, and also drills down into specific details related to current and past usage of various mobile phone applications and content. Data collected from each sample are statistically balanced and projected to the total national population of mobile phone subscribers.

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Apple iPhone Is Top Choice Among Smart-Phone Buyers (Update1)

By Ville Heiskanen

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June 22 (Bloomberg) -- Apple Inc.'s iPhone was a top choice in a survey of people who plan to buy an advanced mobile phone in the next three months, a sign the new device may take market share from rivals.

The survey by ChangeWave Research found that 26 percent of likely buyers would choose the iPhone, a combination mobile phone and iPod that will go on sale June 29. It was tied for first place with Research In Motion Ltd.'s BlackBerry. The research firm asked 3,489 U.S. consumers if they planned to buy an advanced mobile phone, and if so, what brand they would choose.

Apple, based in Cupertino, California, is betting the iPhone's features such as a touch screen will lure customers away from the BlackBerry and Palm Inc.'s Treo. The U.S. market for so-called smart phones, which offer e-mail functions, music players and cameras, may grow 43 percent this year to almost \$6 billion, according to research firm Strategy Analytics.

"It appears that the Apple iPhone will have a huge impact on the smart-phone market," ChangeWave said in the report. The device "poses an enormous challenge to the entire industry."

ChangeWave, based in Rockville, Maryland, said 7.8 percent of the consumers surveyed planned to buy an advanced phone within the next 90 days. The study was conducted in April.

In the survey, 10 percent of those planning to buy an advanced mobile phone said they would choose a Palm device, putting the company in third place. Samsung Electronics Co. was fourth with 7 percent, followed by Motorola Inc. with 5 percent and Nokia Oyj with 3 percent.

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Shares of Apple fell 90 cents to \$123 at 4 p.m. New York time in Nasdaq Stock Market trading. They have climbed 45 percent this year.

To contact the reporter on this story: Ville Heiskanen in New York at vheiskanen@bloomberg.net

Last Updated: June 22, 2007 16:15 EDT

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Matching the Ballyhoo, Mostly

The iPhone, Despite a Few Foibles, Does Things No Phone Has Ever Done

Talk about hype. In the last six months, Apple's iPhone has been the subject of 11,000 print articles, and it turns up about 69 million hits on Google. Cultists are camping out in front of Apple stores; bloggers call it the "Jesus phone." All of this before a single consumer has even touched the thing.

DAVID
POGUE

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OF THE ART

So how is it?

As it turns out, much of the hype and some of the criticisms are justified. The iPhone is revolutionary; it's flawed. It's substance; it's style. It does things no phone has ever done before; it lacks features found even on the most basic phones.

Unless you've been in a sensory-deprivation tank for six months, you already know what the iPhone is: a tiny, gorgeous hand-held computer whose screen is a slab of touch-sensitive glass.

The \$500 and \$600 models have 4 and 8 gigabytes of storage respectively — room for about 825 or 1,825 songs. (In each case, 700 megabytes is occupied by the phone's software.) That's a lot of money; then again, the price includes a cellphone, video iPod, e-mail terminal, Web browser, camera, alarm clock, Palm-type organizer and one heck of a status symbol.

The phone is so sleek and thin, it makes Treos and Blackberrys look like clunky old typewriters. The glass gets smudgy — a sleeve wipes it off, but it doesn't scratch easily. I've walked around with it in my pocket for two weeks, naked and unprotected (that is, not me), and there's not a mark on it.

But the bigger achievement is the software. It's fast, beautiful, menu-free, and dead simple to operate. You can

Continued on Page 10

Illustration by The New York Times

Waiting for the Latest in Wizardry

THE NEW YORK TIMES

June 27, 2007

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USA TO: NY

See photos of Apple's marketing efforts at money.usatoday.com

Debut: People check out the new iPhone on display Jan. 10 at the Macworld Conference & Expo in San Francisco.

By David Paul Morris, Getty Images

Apple buffs marketing savvy to a high shine

Announcement about iPhone generated tons of free publicity

By Jefferson Graham
USA TODAY

LOS ANGELES — Apple's marketing machine has done it again.

While the biggest names in tech were in Las Vegas at the Consumer Electronics Show in January showing off new gadgets and gizmos, Apple gambled it could extract attention in San Francisco for a sneak-peek debut of the iPhone, the combination music player/cellphone and Internet device.

Apple CEO Steve Jobs' bet paid off like a gushing Vegas jackpot. The avalanche of headlines and TV news stories about the iPhone — which hits the market in June — already have generated \$400 million in free publicity, says Harvard Business School professor David Yoffie. "No other

company has ever received that kind of attention for a product launch," Yoffie says. "It's unprecedented."

The attention may have been more supersized than usual, but the results were textbook Apple. The company's knack for the spotlight is in part born of necessity — it has just a 3% market share for computers — but it consistently generates buzz and anticipation for new products.

Apple's arsenal of attention-getting tools holds lessons for any company: design cool, innovative products. Have a streamlined product line. Invest in memorable ads. Work your customer base to make customers feel special and create word-of-mouth agents. Most important: keep the world and media surprised, to generate gobs of attention.

The company's masterful buzz machine has helped generate record profits (thanks to the worldwide digital music cultural icon, the iPod), but it's barely nudged Apple's computer market share. Apple executives declined comment

Cover story

Please see COVER STORY next page ►

Gasoline prices getting pumped up again

Fuel going for more than \$3 a gallon in some areas

By Barbara Hagenbaugh
USA TODAY

WASHINGTON — Gasoline prices are climbing across the USA, particularly in California, where they're topping \$3 a gallon in some areas, as strong demand and lower supplies have helped boost prices.

Energy The nationwide retail average price for a gallon of regular gasoline was \$2.507 Thursday. That's up a dime from just a week ago and 33 cents, or 15%, higher than a month earlier, according to motor club AAA. The average price at the pump is 17 cents higher than a year ago.

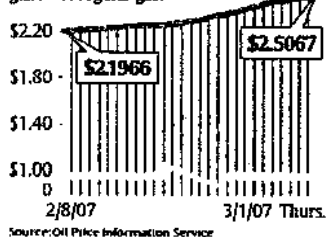
Wholesale gasoline prices have risen 21% in the last month, suggesting retail gasoline prices have higher to climb.

Such a sharp increase this early in the year may not bode well for gasoline prices this summer, Wachovia economist Jason Schenker says.

"The risks clearly are on the upside as we go into the driving season," he says. "Three-dollar gasoline is not dead."

Up at the pump

Gasoline prices are rising. Price per gallon of regular gas:



Californians are being stung especially hard lately. The average price in the state Thursday was \$2.962 a gallon, 39 cents higher than just one month ago.

That's the highest average price ever for a day in March in the state, says Tom Kloza, chief oil analyst at Oil Price Information Service, which compiles the data for AAA.

Prices were highest in San Francisco, where the average was \$3.123 a gallon.

A large number of refineries on the West Coast have been shutting down for

maintenance, leading to lower supplies in the area, Kloza says. And because of special blending requirements in California, it's hard to import fuel into the state.

But there is some good news: Prices in California are likely to stabilize soon as refiners boost production, Kloza says. "We're probably in the seventh or eighth inning of the rally," he says.

Nationwide, the reasons behind the increase in gasoline prices are ripped from an Econ 101 textbook:

► **Supply.** Gasoline inventories fell for the fourth-consecutive week last week and were 4% lower than a year ago, partly because of lower imports and refinery maintenance, according to the Energy Department. The amount of gasoline was enough to meet demand for 23.7 days, the lowest since the week ended Jan. 12.

► **Demand.** Drivers have been pumping more gasoline, despite the higher prices. Average gasoline demand in the four weeks through March 2 was 1.2% higher than the same period a year ago, according to the Energy Department.

Recent gains in oil prices are more likely the result of rising gasoline demand than a major cause for the gas price increase, Schenker says.

their new offerings to be ported and free to consult

In addition to represent of Hollywood's biggest including Russell Crowe and Lopez, William Morris represents a number of corporate weights, including General Starbuck and MySpace.

The agency, whose roots go back to Charlie Chaplin, is partnering with Narrowstep.

The company, which was founded in 2002 and went public in 2005, competes in the fast Internet video distribution with firms including YouTube, The FeedRoom and MySpace. Narrowstep's client list includes the U.K.'s largest TV network, which has used it to stream Internet video streams. A so-called Narrowstep's technology.

"This is a case of new technologies meeting new talent," Narrowstep CEO David He is also CEO of (McCourt, a media investment firm).

Paul Bricault, a senior consultant at William Morris, says "What consumers actually want and have wanted for so long is to view content that is relevant to them at the time most relevant to them."

Each new program will be a separate company, management will give each as much flexibility on day-to-day management as possible.

McCourt says the plan is to create hundreds of shows that could be offered on a pay-per-view basis. Others could be offered on a subscription basis, much like cable channels such as HBO.

William Morris, with 3,000 clients worldwide, has contacts in movies, TV and other media to help the programming. The plan will reach out to its contacts to back projects.

Bricault says some clients might want to do their own shows around sports events. For example, GM might want to do a show about the Super Bowl. William Morris, drawing on its contacts around the world, will put the talent together to make that happen.

Some people may be skeptical about the idea of a talent agency trying to break the rules of Hollywood.

Bricault says he's not a "Pioneer" in the sense of the arrows in their back. "I'm sure some people will shoot at us, but we have to stick our foot in the door and say the word 'Yes.' You have to think

Apple goes a long way by keeping it simple

Continued from 1B

for this story.

Marketing guru Peter Sealey, a professor at Claremont Graduate University, calls the charismatic Jobs "the best marketing CEO in the business." USA TODAY spoke to professors such as Sealey, authors and former Apple marketing executives, asking what other companies could learn from the Apple marketing manual:

► **Make innovative products.** It sounds simple, but Apple's obsession with design and innovation, and history of inventing and designing products in-house (most tech competitors outsource), brings on the spotlight.

Cover story

"People take notice because of Apple's track record," says Mike Evangelist, a former Apple product manager who now is CEO of digital music compression firm Wired. "They know the products will be groundbreaking."

The iPod, which has been the catalyst for Apple's dramatic comeback, wasn't the first MP3 player, but it was the easiest to use and coolest looking. The Mac Mini, a pint-sized Macintosh computer just a little larger than a DVD, and its big brother, the sleek, white iMac, with a built-in monitor, are computer designs that wowed critics.

The company's marketing prowess is so renowned that it prompted a satirical headline in *The Onion* this week: "Apple Unveils New Product-Unveiling Product." The product? The fictional iLaunch, which would "revolutionize the process of unveiling new products throughout the world."

► **Keep it simple.** When Jobs returned to a languishing Apple in 1997 after his 1985 ouster, he slashed the product line to make it easier for consumers to focus. While rivals such as Hewlett-Packard and Dell offer 100 models of desktop computers, often with non-memorable product names, Apple has fewer than 20 options, with simple names such as the Mac Mini, MacBook, iMac and PowerMac.

That's been key to the iPod's success, too. It comes in three basic styles: video iPod, Nano and Shuffle.

"You can have so many options, and so confuse people, that less is truly more in many instances," says Sealey, who often discusses with students how product lines have gone wild, with too many choices. "When I was at Procter & Gamble, Crest (toothpaste) was available in two sizes. Now, there are so many, you can't make a decision," he says.

► **Create truly memorable ads.** Apple regularly receives awards and acclaim for hip and effective advertising created by its longtime agency, TBWA/Chiat/Day. Apple introduced its first ad for the iPhone on the Academy Awards telecast, a 30-second smorgasbord of TV and movie clips, featuring actors from Lucille Ball and Dustin Hoffman to the animated Betty Rubble from *The Flintstones* saying hello into a phone.

Its humorous Mac-vs.-PC spots feature actors John Hodgman and Justin Long debating the merits of Apple vs. Windows computers. Hodgman plays the Windows guy, who pales in comparison to cool Mac guy Long.

But it's the campaign for the iconic iPod, with dancing hipsters set against a silhouette, that put Apple back on the map.

"How many ads have you seen where you say, 'Cool ad,' and you forget what it was for within three minutes," says Michael Markman, a former director of advertising for Apple in the 1990s, who now consults for tech companies. "The iPod advertising has been extraordinary. It's a word-

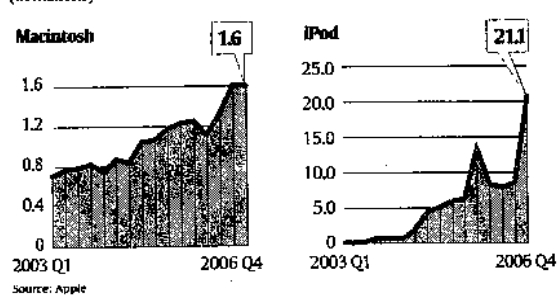


By Paul Sakuma, AP

Introducing: Apple CEO Steve Jobs demonstrates the new iPhone on Jan. 9 at the Macworld Conference & Expo in San Francisco.

Apple's rapid growth

Number of Macintosh computers and iPods shipped per quarter: (in millions)



By Keith Simmonds, USA TODAY

less product demo, with a great tag line that doesn't make the viewer work hard. 'One thousand songs in your pocket.'"

Adds Evangelist: "No one really understood what an MP3 player was until that tag line. It made the product really simple to understand for the masses."

Sealey says Apple spends much less on advertising than its rivals do. "The ads just stand out because they're so good," he says.

► **Find an enemy.** Apple has never been shy about blasting the competition, encouraging the world in its advertising to "think different" and use its products.

"Early on, Apple figured out ways to make consumers feel like they were insiders in this secret society," says Jeffrey Cruikshank, a Boston-area marketing consultant and author of *The Apple Way*. "They clearly identified the bad guys who were outside their cult — IBM, Intel and then Microsoft. It was a consistent and far-reaching world view: you and me against the world."

► **Work the taste-makers.** Out of necessity, with a tiny and then declining market share for computers, Apple had to work harder to get its products in front of the public. In the past few years, it has aggressively set up Apple retail stores in metropolitan areas. Apple has also been very PR-centric, says Cruikshank, pushing to get its products reviewed and used as product placement in movies and TV shows.

In *The Apple Way*, Cruikshank writes that Apple com-

puters have appeared on screen more than 1,500 times in the past 20 years on TV shows and movies including *24*, *Sex and the City*, *Seinfeld* and *You've Got Mail*.

"More than half of all computer product placement during this time was from Apple, at a time when its market share was just 3%," Cruikshank says.

► **Offer surprises.** Apple is well known for efforts to keep launches close to the vest, to the point of suing secret-spilling bloggers. The secrecy often pays off with massive news coverage, as with its January introduction of the iPhone at Macworld.

The iPhone had been expected for weeks. What the world didn't know was what it would look like. The sleek design of the phone touched an immediate chord with the Macworld audience when Jobs unveiled it. The media ate it up.

► **Put on a show.** Tech companies such as Microsoft, Intel, Oracle and Adobe stage splashy events to unveil products, be it an operating system or software upgrade. Only Apple consistently succeeds in turning those kinds of events into headlines, because of Jobs' endless devotion to fine-tuning. "Steve works harder than almost any CEO at being the master showman," Yoffie says.

Most CEOs, says Charles Wolf, an analyst for Needham & Co., go on stage with an endless round of platitudes. "Steve leaves all the crap out of his presentation and focuses on what's important," Wolf says.

Says Markman: "What he does that few communicators do is leave things out. He starts with what he wants people to remember and works backward."

Wolf says that Apple's track record at keeping details of new products close to the vest produces "a snowball effect. Steve invites the general public, and they flock to these shows. You have this mesmerizing speaker in front of 4,000 people, and it's almost like a religion. The high priest and all his followers, and that adds to the excitement. And the press is a willing accomplice."

Evangelist, who is writing an online book about his career at Apple, worked with Jobs on planning speeches. "The actual setup and rehearsal takes a week, but the planning takes months," he says. "There are constant meetings about it, and they are very intense. Steve is a no-nonsense guy. If you're anything less than 100% prepared, he knows immediately and lets you know in no uncertain terms."

In the past three years, Apple's market capitalization has ballooned from \$6 billion in 2003 to over \$75 billion, Wolf says. The company is riding high from sales of the iPod, which has an 80% market share and now generates 50% of Apple's revenue.

But despite a slight uptick in Mac computer shipments, Apple is still "stuck at 2% to 3% market share," says Roger Kay, an analyst at Endpoint Technology.

Kay says Apple's free PR hasn't resulted in dramatically higher computer sales, but it has translated into enthusiasm on Wall Street, which has pushed up its stock price.

Indeed, Wolf has upped the target price of Apple stock to \$130 by year's end, up from about \$90 today, based on the June launch of the iPhone. Jobs predicts Apple will sell 10 million iPhones in the first year, which, at an average price of \$500, equals an additional \$5 billion in revenue.

Yoffie says the publicity from the iPhone announcement will "drive people into the stores to test the products. It will help sell a lot more iPods and iPhones. Think of all that publicity as a substitute for marketing costs and an opportunity for Apple to dramatically increase its market share."